

## **NOTICE OF POTENTIAL TAX WITHHOLDING**

*JPL is legally obligated to withhold federal and/or state income tax from certain subcontractor and consultant payments when required by law. Withholding may be required under the following circumstances:*

### **1. Nonresident Independent Subcontractor/Consultant State Source Income Tax**

Pursuant to CA Revenue and Taxation Code 18662 and CA Franchise Tax Board FTB Pub. 1023, Payments made to California nonresident subcontractors or consultants, including sole proprietors, corporations, limited liability companies, and partnerships, that do not have a permanent place of business in CA, or that are not registered to do business in California, are subject to a seven percent state income tax withholding for services performed in California. No withholding is required on payments for goods, or for services performed outside California. See State Tax Form 587 (Nonresident Income Allocation Worksheet) and Form 590 (Withholding Exemption Certificate).

### **2. Nonresident (and Resident) Alien Federal Income Tax**

Pursuant to Internal Revenue Code 1441, payments made to nonresident alien subcontractors/consultants are subject to a thirty percent federal income tax withholding for services performed in the U.S. unless an exception applies. A nonresident alien from a country with an income tax treaty with the United States may be exempt from tax under the Self-employment Article of the treaty if the individual satisfies the conditions of the treaty article. A nonresident alien from a non-treaty country may claim a daily personal exemption amount. Such nonresident aliens who have a U.S. taxpayer identification number (TIN) – either a U.S. Social Security Number or Individual Taxpayer Identification Number – can submit Federal Tax Form 8233 (Exemption From Withholding on Compensation for Independent Personal Services of a Nonresident Alien Individual) to claim a withholding reduction or exemption. No exemption is available for nonresident aliens who lack a TIN. Nonresident aliens not claiming such an exemption should submit Federal Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). For more information, refer to IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities. Resident aliens should complete Federal Form W-9 (Payer's Request for Taxpayer Identification Number and Certification) to submit a U.S. taxpayer identification number. Resident aliens with no U.S. taxpayer identification number will be subject to back-up withholding, currently at a rate of twenty-five percent.

### **3. Federal or State Tax Liens or Levies**

JPL may be required to withhold payments in an amount necessary to satisfy tax liens or levies or judgments duly issued against subcontractors or consultants by cognizant tax or judicial authorities.

**Disclaimer:** *JPL is not liable for amounts incorrectly withheld. However, if JPL determines that amounts have been incorrectly withheld, and provided that such amounts have not been remitted to tax authorities, JPL shall refund such amounts to the subcontractor/consultant.*